

WALL STREET JOURNAL
26 November 1986

Deepening Crisis

Reagan Effort to Clear Air About Arms to Iran Raises More Questions

Word That Proceeds of Sales Went to Nicaragua Rebels Brings Wrath of Congress

The Poindexter Resignation

By ROBERT S. GREENBERGER
And JANE MAYER

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — President Reagan's belated effort to end the damage done to his administration by the Iranian arms sales has resulted in disclosures that add more problems than they solve.

The president yesterday accepted the resignation of John Poindexter, his national security adviser, and fired Marine Corps Lt. Col. Oliver North from the NSC staff. Then, in a surprise revelation, Attorney General Edwin Meese said that up to \$30 million received from the secret sale of U.S. arms to Iran had been transferred, with assistance of Israelis, to U.S.-backed Contra rebels fighting Nicaragua's Sandinista government.

"The president knew nothing about it until I reported it to him" Monday, Mr. Meese said at a news conference at the White House. He added that Vice Adm. Poindexter, who is returning to the Navy, and Lt. Col. North hadn't told the secretary of defense, the secretary of state or the Central Intelligence Agency director of the arrangement. Mr. Meese said an investigation he is making, designed to clear the air, is continuing.

But congressional critics suggested that yesterday's announcements upped the ante more than cleared the air. "There is something wrong when the president doesn't know what's going on in the basement of the White House," charged Senate Democratic Leader Robert Byrd. Democratic Rep. Stephen Solarz of New York declared that "this has profound political and possibly even criminal implications," adding, "I don't think Congress will accept this explanation from Meese and I don't think the country will."

Republicans weren't much more supportive. "That's an NSC run amok," charged House GOP Leader Robert Michel. "This is a major problem facing the administration," said Rep. William Broomfield of Michigan, the ranking Republican on the House Foreign Affairs Committee. "I think there is more to come in this investigation. There are probably others involved."

In his press conference, Mr. Meese argued that the diversion of funds to the Contras was an "aberration" in the president's Iran policy and that the White House deserved credit for swiftly disclosing it, even before its investigation was complete. "We have been very careful to lay out the facts for you," he told the reporters. A handful of staunch Reagan supporters in Congress agreed. Sen. Strom Thurmond said the president was acting "properly and candidly," and Rep. Jack Kemp praised the president for announcing his own inquiry.

On the whole, however, the White House disclosures provoked doubts on Capitol Hill and created new problems:

— The president's admission that he and his most senior aides were unaware of the details of his National Security Council's operations in two major foreign-policy areas presented two damaging possibilities: Either members of the White House staff have been operating out of control, a situation that would cast serious doubt on the competence of those in charge, or senior officials, including CIA Director William Casey, knew more than Mr. Meese said they did about the sensitive operation. Said Sen. David Durenberger, the Minnesota Republican who heads the Senate Intelligence Committee: "I sat next to Bill Casey this morning and I asked him if he knew anything about it, and he said no. Maybe I was talking into his bad ear."

The two most powerful national-security advisers in recent years expressed doubt over the administration's explanation that Lt. Col. North acted without the knowledge of higher officials. Interviewed on the MacNeil-Lehrer NewsHour, Henry Kissinger, who once held the post under President Nixon, said he found this contention "hard to believe," and Zbigniew Brzezinski, national-security adviser to President Carter, said the assertion "boggles the mind."

— The disclosures failed to deflect widespread criticism of the president's decision to sell arms to Iran during negotiations over the release of U.S. hostages in Lebanon, as well as the questions about the legality of these actions. Rep. Les Aspin, the chairman of the House Armed Services Committee, plans to look into how arms were shipped without the knowledge of the Joint Chiefs of Staff. Other congressional investigations are expected.

— One of President Reagan's highest priorities, providing aid to the Contras, may be crippled by yesterday's disclosures. The Contras have \$100 million for the fiscal year that began last month, but future assistance is another matter. "You've got to be concerned about it," said Republican Richard Cheney of Wyoming, a strong backer of aid to the Contras. "This isn't going to help."

— The growing scandal threatens to paralyze the administration. With the White House preoccupied with the case and its credibility severely hurt, it will be nearly impossible to obtain bipartisan congressional cooperation on other fronts. "Until this matter is resolved, there is nothing else on the Reagan agenda," said William Schneider, a political analyst at the American Enterprise Institute.

Already, parallels are being drawn in Washington between the handling of the Iran arms affair and the Watergate scandal, when the White House released damaging information and announced resignations in a slow, halting process. "I don't want to see the gradual kind of unraveling we saw in Watergate—it raises that specter," said Rep. Leon Panetta, a California Democrat. Even if the comparisons aren't fair or apt, the fact that they are being made underlines the seriousness of the situation for the Reagan White House.

What's more, the admissions by the White House through yesterday still leave unclear how much, if anything, administration officials knew about arms sales that Israel is reported to have been making to Iran for years. Israel has said it never sold American-made military equipment to other countries without U.S. approval, but the White House says the U.S. condoned only one Israeli shipment to Iran before this year, in September 1985. If congressional or press investigations in the coming weeks turn up knowledge by administration officials of earlier Israeli sales to Iran, the crisis could deepen.

Former White House Political Director Edward Rollins called the revelations "the most serious crisis this administration has ever faced" and added, "It's now more important than ever that everything be disclosed. The way this is handled could determine the president's effectiveness for the next two years."

Yesterday, Israel acknowledged for the

first time that it had helped transfer armaments to Iran from the U.S. But it denied involvement in diverting money to the Contras. "Israel was not and will not be prepared to serve as a channel for this," a statement read by Prime Minister Yitzhak Shamir's spokesman said. Payment for the arms "was transferred by an Iranian representative directly to a Swiss bank, according to American instructions, without passing through Israel," the statement said. "The government of Israel was surprised to learn that supposedly a portion of these funds were transferred to the Contras."

The administration's disclosures about its Iranian arms shipments cast the spotlight on the one area of policy the White House has been most reluctant to reveal—its penchant for covert foreign-policy operations. Moreover, the linkage between Iran and Nicaragua joins the two most controversial and legally questionable aspects of Mr. Reagan's foreign policy. To a large extent, these operations were designed to get around restrictive laws and to operate without public or congressional knowledge.



John Poindexter

The shakeup left the White House casting about for a new national security adviser—the fifth in six years. Among those under consideration for the job, sources speculated, were U.S. Ambassador to NATO David Abshire and Navy Secretary John Lehman. Some conservatives were touting Jeane Kirkpatrick, the former U.S. ambassador to the United Nations, but Secretary of State George Shultz is known to have objections to her.

Mr. Meese said that Adm. Poindexter's deputy, Alton Keel, an aeronautical engineer who came to the NSC just four months ago from the Office of Management and Budget, will be the acting national-security adviser until a new one is found.

White House officials hoped that through the departures of Messrs. North and Poindexter, they would stem a clamor for further staff changes. White House Chief of Staff Donald Regan was described by a close associate as "elated" and "flying high" about the disclosures, because he believed the news would deflect criticism of his own performance. But yesterday, the clamor continued. GOP Rep. Broomfield called for the resignation of all of the top national-security and foreign-policy advisers "to give the president a free hand to take whatever action he needs to take."

Mr. Meese said that his department's investigation would go on, but some congressional leaders were suggesting more than that—an independent prosecutor. "The possible need for an independent counsel cannot be ruled out," said House Speaker Thomas O'Neill. Rep. Solarz pointedly remarked that Messrs. Poindexter and North "are the last two guys you would expect to be free-lancing. They are military men who know a chain of command."

The bottom line, according to Democrat Sam Nunn, the influential incoming chairman of the Senate Armed Services Committee, is that the disclosures raise questions of several possible illegalities, hurt U.S. credibility and endanger any future aid to the Nicaraguan Contras. "It seems to me that the law has been violated," he declared.

Among the legal issues were new questions about White House conduct of covert foreign policy. Questions had already been raised concerning the president's single-handed lifting of the arms embargo against Iran and his withholding from Congress of prior notice of his intelligence operation in Iran; beyond those issues, the Contra financing scheme may have violated congressional strictures against diverting military aid to the Nicaraguan guerrillas. Justice Department officials said Mr. Meese and top aides were considering whether U.S. law was violated by administration efforts to direct or encourage the funneling of money to the Contras.

But even if administration officials weren't directly involved in this operation, U.S. law may have been violated. Under the so-called Boland amendment, U.S. officials are prohibited from engaging in the "soliciting of third countries to provide funding, material or other assistance to the Nicaraguan Democratic Resistance [the Contras] to support military or paramilitary operations in Nicaragua."

Congress has authorized the State Department to seek nonlethal aid from third countries, but the authorization is specifically written for the State Department, not the NSC or the CIA.

Mr. Meese said yesterday that "we don't know all the facts yet" but claimed that his preliminary investigation showed that the operation was initiated and run single-handedly by Lt. Col. North. He added that Mr. Poindexter "did know that something of this nature was occurring, but he did not look into it further." Mr. Meese insisted that "no one in the chain of command was informed."

He also said that former National Security Adviser Robert McFarlane, who left government last December, learned of the Central American operation last April or May but apparently didn't inform the president. Mr. McFarlane, acting as a special envoy for Mr. Reagan, made a controversial trip to Tehran last May with Lt. Col. North.

Mr. Meese explained that between January 1986 and the present the U.S. shipped about \$12 million worth of weapons from Defense Department stocks to Israel. Israeli "representatives" then sold the equipment to the Iranians for "somewhere between \$10 million and \$30 million" above its cost. The Israelis paid the \$12 million, plus transportation costs, to the CIA, which reimbursed the Defense Department for its weapons. Mr. Meese said that either the Israelis or Iranians, acting either with Lt. Col. North's knowledge or at his request, then deposited the extra sums of cash into a numbered Swiss bank account established by the Contras.

After Mr. Meese's press conference, Adolfo Calero, leader of the Nicaraguan Democratic Force, the largest Contra army, said, "We know absolutely nothing about the money that has been referred to today," the Associated Press reported. Mr. Calero said that his group has received only "a trickle of money" this year and asserted that "I have never drawn any check on any accounts in Switzerland or in any other country."

The attorney general said information about the Contra-financing plan started to surface last Friday as administration officials began to prepare to testify on Iran before congressional committees. "There appeared to be more facts out there than we had already put together," he said.

Mr. Meese went out of his way to isolate top administration officials from the operation. "The only persons in the United States government that knew precisely

about this—the only person—was Lt. Col. North. Adm. Poindexter did know that something of this nature was occurring, but he did not look into it further," the attorney general said during his White House briefing. But later, in an interview with CBS News, Mr. Meese, referring to Lt. Col. North, said, "There may be other people working with him who may have had information."

During the briefing, Mr. Meese stressed that "CIA Director Casey, Secretary of State Shultz, Secretary of Defense Weinberger, myself, the other members of the NSC, none of us knew."

In the summer of 1984, Congress, incensed over another administration covert operation, the mining of Nicaraguan harbors, cut off funding for military assistance to the Contras. After prolonged debate, President Reagan persuaded Congress to approve \$100 million for the Contras this fall. But Mr. Meese admitted yesterday that the diverted funds were reaching the rebels during the interregnum—a period when the U.S. claimed that the Contras were being supplied by private groups and that the U.S. government had no involvement. However, he said yesterday that "no American person actually handled any of the funds that went to the forces in Central America."

Continued

The State Department moved yesterday to reassert its power over U.S. policy towards Iran. Charles Redman, its spokesman, declared that the State Department would "now take over implementation and management" of that policy. The State Department already coordinates the \$100 million Contra aid program.

Even though Mr. Meese asserted that Mr. Shultz "is remaining in his position as secretary of state," questions remained about his tenure. He infuriated some White House officials with his unusually vocal criticism of the president's operations in Iran.

And even some inside the administration fear that the worst might be still to come. "There are levels and levels of culpability in this thing," said one senior administration official, "and it's all going to unravel in time. The absence of knowledge is not the same as the absence of culpability."
